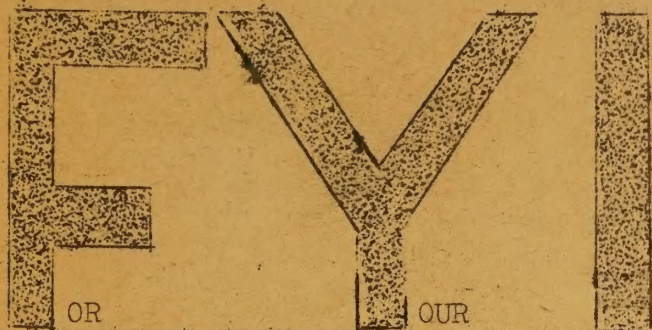


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UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration  
Washington 25, D. C.

February 18, 1946

OR

OUR

INFORMATION

Prepared by the Information Division for the exclusive use of the REA staff

The following was printed in THE DAILY REPUBLIC, Mitchell, S. D., on Friday, January 11. It is the regular "SOAP BOX" column by Jack Bailey

I had the privilege the other mid-day of being a guest at a delightful bull-session between a group of farmers from all parts of the state and a couple of Mitchell business men. The primary interest of these farm leaders at this particular gab-fest was the advancement of REA, but a discussion of it led into channels of social welfare far afield from the purely technical matter of "turning on the juice."

I heard many references to a "greater South Dakota."

TO ENHANCE THE CHANCES OF winning this objective the thinking of these farmers with the long-range view point seems to boil down to this two-fold proposition: (1) establishment of a way of life that will tend to reduce the flow of South Dakota's principal export -- its children; (2) a more harmonious and cooperative relationship between the urban and rural dwellers of the state.

The latter applies, of course, to the more metropolitan areas, rather than to the towns and villages where the meadow blends with the stoop of the First State bank. The farmer views with bewilderment the barriers that exist between him and his city cousin.

HE KEENLY REGENTS THE term of "hick" and the idea, prevalent in some quarters, that he's on a farm because he couldn't make a go of it anywhere else. In my judgement any man in that assembly could have traded places very handily with any man who sells hardware, papers, pants, drugs, bread or booze along Main Street.

The farmer isn't keenly happy over the way his class is represented in the "Hiya Si" manner of the high-pitched nasal and schmaltzy voice. The farmer desperately wants to "belong" to the community of social and business enterprise, not in the sense of being invited to dinner every Sunday at the city home of the lumber or implement or automobile magnate or cutting a rug at country club functions with the banker's wife.

IT'S MORE OF AN IMPERSONAL and constructive thing than that. He'd be more than satisfied if city people would display more of an inclination to join him in putting across projects, such as REA, which would benefit not only the farmers but the business man as well. In other words the farmer takes the stand that if the business man is going to continue to "live off him" he'd like a more genuine showing of appreciation.

The intelligent farmer is stumped by the city reception usually accorded programs for the betterment of the agricultural position, whether they apply to a better price for products or to electric lights for the buildings. This reception

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\$100,000,000 MORE  
FOR REA THIS YEAR?

The President has just recommended that Congress authorize another 100 million dollars of REA loan funds for fiscal 1946. Congressional approval is necessary. This is separate from the recommendations in his budget message in which he requested a 350 million dollar authorization for fiscal 1947. It would supplement the small balance remaining from the 300 million dollars authorized for the current year.

SECRETARY CALLS CO-OPS  
FREE ENTERPRISE

Secretary Anderson strongly endorsed cooperatives in a recent speech to the National Council of Farmer Cooperatives. He said:

"Cooperatives are the very essence of free enterprise, in that they actually represent groups of farmers acting together for the purpose of carrying on their individual free enterprise more efficiently for individual profit. Nothing could be more American in its basic spirit and purpose.

It should be made entirely clear that cooperatives are not entirely free from taxation -- that, while they may not pay income taxes, they do pay their share of real estate, social security and other taxes, just as do most businesses which are operating for profit."

CO-OPS FIGHT NTEA ATTACKS

Cooperatives throughout the country have started fighting back against the vicious propaganda campaign of the misnamed National Tax Equality Association. (The co-ops say NTEA is not interested in either taxes or equality, but solely in eliminating the co-ops.

The Shelby County, Ky., REA co-op was so incensed by a misleading NTEA ad in a local newspaper that it answered with an ad of its own including a picture of its attractive headquarters building and a brief statement of the advantages the co-op has brought to the community. It emphasized the business stimulation it has created, and also mentions the local taxes paid by the co-op and

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chase co-op properties.



## "SOAP BOX" (Con'd)

ranges from open hostility on the part of the politically-minded to one of cold indifference by those who just don't give much of a rip.

FOR EXAMPLE ONE FARMER in the crowd recalled an "appeasement" conference he had not long ago with the head of a public utilities system that operates in South Dakota. The farmer's intentions were to talk the magnate out of "spite-lining," which means to the electric world what "checkerboarding" does in the range country; where a big operator moves in on a little one to keep him from developing his holdings in square sections.

All the farmer could get out of the utilities magnate was a tirade against a "bunch of long-haired boys in St. Louis and Washington who were out to cripple private enterprise."

The farmer asked: "You mean they're communists?"

"That's what I mean," the magnate came back.

"Then all I want to do," replied the farmer, "is to ask one question. Whatin'll have you short-haired boys done for us in the past 30 years?"

IN REGARD TO REA, THESE farmers maintained to a man, nobody is getting robbed of anything, least of all free enterprise. On the other hand, they insist, REA is opening up a great new reservoir of business in rural areas that has gone wholly undeveloped up to now. It hasn't even seemed attractive to the private utilities themselves until the farmers began organizing their cooperatives.

So they think a city man should go out shouting for a deal that not only is not going to hurt him, but over the years will put an untold number of ducats into his till.

FROM THE PURELY SOCIAL angle, the farmer feels like this: Give us homes with all the modern gadgets, sanitary and otherwise, and our kids won't have to be in constant envy of the houses of their city acquaintances. They'd be more apt to stay on the farms if it weren't a major operation to take a bath over once a week; if electricity could run the labor-saving tools they could install, both indoors and out.

And as Charley Jones says: "Get that Missouri River developed to the point where industries will locate out here, and our kids can get jobs during slack farm seasons which now take them on a one-way ticket to Detroit, Chicago, or Minneapolis."

Yes, indeed there's quite a lot to this business of power development to rural sections.

Are you still against the REA?

## CO-OPS FIGHT NTEA ATTACKS (Con't)

the 10 new jobs it has given local veterans. Farmers Union co-ops are stressing six points: (1) co-ops were born of economic necessity, (2) they put the Golden Rule into action, (3) they form a link between town and country, (4) they put the farmer's savings dollars to work on Main Street, (5) they breathe life into free enterprise, (6) they build democracy.

### KANSAS COMMISSION REVOKES CERTIFICATES

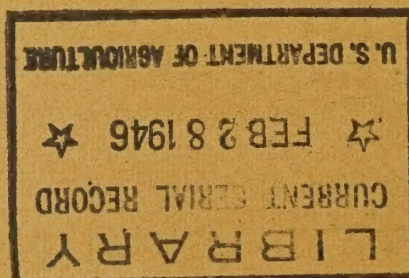
The Public Service Commission of Kansas has recently revoked all permits granted prior to November 1 for rural power line construction where the lines had not been energized by January 16. This has the effect of throwing the field open to all suppliers. The co-ops will probably gain, because the utilities had tried to use construction permits to sew up strategic sections. It is believed that the revocation order was based on the conviction that this was true.

### MORE POLES COMING

The hard work our pole people have put in is beginning to show in the form of more poles and it seems likely that further gains will soon be forthcoming.

In the lodgepole pile areas, for example, new processing plants under construction or definitely planned will have capacity for a half-million poles a year.

There is very little over-all improvement in the pole situation, however, because the demand is increasing just as fast as the pole output.





UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration  
Washington 25, D. C.

March 22, 1946

OR

OUR

INFORMATION

Prepared by the Information Division for the exclusive use of the REA staff

#### CONGRESS WANTS AREA COVERAGE

Congress expects each REA co-op to conduct itself as a service organization, different in its general outlook from a commercial utility company. This was made abundantly clear by the members of the House in the questions they have recently asked the Administrator.

Principal concern seems to be whether the co-ops will carry out area coverage plans or, now that their business position has been established solidly, rest on their laurels, refusing to take the "risk" of extensions into thinner areas.

In one recent instance, well publicized locally, one co-op proposed to select the sections of a new area it would serve, and protested loudly when another co-op started an area-coverage survey there.

Congress wants all farmers to have electric service, and obviously looks to the REA program to come as close to that goal as possible. The Congressmen asked the Administrator, in effect, whether the REA co-op would do the job or become just another power company.

The Chairman of the Agriculture Subcommittee of the Appropriations Committee discussed the subject with Farm Bureau President Edward A. O'Neal; the printed report of the hearing has this discussion:

Mr. TARVER: I have noted this about some of these REA cooperatives: After they become organized and get on a paying basis and are making money, somehow there is evidence of disinclination to do anything for that farmer out there who has not had any service, where the chances of his being able to furnish them with added revenue are of a doubtful nature.

Mr. O'NEAL: They get to be utility-minded, too, do they not?

Mr. TARVER: That is right. And some of them are adopting the same policies that the power companies adopted prior to the enactment of the Rural Electrification Act. The whole idea of the thing, to my way of thinking, is to extend rural electric service to people who, while they may not be able to pay enough for the kind of service they will require initially to represent a profit on the investment made in building the lines to them, yet may be expected to step up their farm production and their utilization of electrical energy to the point where, in a few years, they will be customers who will be paying a profit on the service which has been accorded them.

Mr. O'NEAL: That is right.

Mr. TARVER: I think that has been the history of REA: That where the service has been accorded it has resulted in an increase in production and, therefore, a need on the part of those farms for additional electrical power, and what may have seemed at the start to have been a doubtful investment on the part of the REA cooperative has turned out in most cases to be all right. It has

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#### SENATE KILLS CRIPPLING RESTRICTION ON REA FUNDS

Both Houses of Congress have passed the authorization for \$100,000,000 more REA loan funds this fiscal year. This is one item in the "urgent" deficiency bill; other items are in disagreement between the House and the Senate, and are being discussed in conference.

The Senate committee which considered the bill recommended a restrictive clause prohibiting use of any of this money for generation or transmission facilities without approval from the Federal Power Commission. After a brisk and extended debate, the Senate killed the restriction by a vote of 56 to 22. Senators Lafollette, Magnuson, and Aiken led the debate and they had powerful support from both sides of the aisle, in favor of killing the restriction.

#### RESTRICTION PROPOSED ON 1947 LOAN FUNDS

The House Appropriations Committee, reporting on the recommendation of a \$250,000,000 authorization for REA loans in fiscal 1947, attached a committee amendment which would outlaw the present REA rule that no contract for REA-financed construction be awarded to a firm working for a commercial power company at the same time in the same area.

The House concurred in this amendment, and the bill is now pending in the Senate.

#### WE LOSE ONE

Representatives of Interior's power agencies told the Idaho Statewide in a meeting at Boise January 25 that 3½-mill power is on the way.

Resolutions adopted at the Boise meeting strongly urged the nine Idaho cooperatives to turn a deaf ear to the Idaho Power Company's offers to purchase co-op properties.

"Locally-owned and locally operated cooperatives are, because of their non-profit



## CONGRESS WANTS AREA COVERAGE (Cont'd.)

paid good dividends. So that these cooperatives that are doing well ought to be spurred up in some way, in my opinion, to furnish service to the farmers where the immediate income will not be considerable. Do you not think so? What can Congress do, or what should Congress do, to spur up these cooperatives - who are, as you know, independent cooperatives. That is, they are not subject to control of REA, so long as they pay what they owe REA on their loans - to have them be a little more liberal in making of extensions to farmers who have not been serviced?

Mr. O'NEAL: Just put a mandate down there that you give them this money provided they use it for the purposes for which it is appropriated.

Mr. TARVER: Well, I hope it can be worked out in some way.

Mr. O'NEAL: The farmers certainly need it.

Mr. TARVER: I hope some way can be worked out to deal with that situation.

## CO-OPS AND TAXES

The Agra-Lite Cooperative is the largest personal-property taxpayer in the City of Benson, Minnesota, and it is using that fact adroitly to counteract NTEA propaganda.

Agra-Lite has joined with four other co-ops with headquarters in Benson in a newspaper advertisement calling attention to their status. Under the head "Local Taxes Paid by Local Cooperatives," the five list their 1945 assessments, totaling almost \$6000 in real estate and personal property taxes. The total is broken down to show the share of the schools, the city, the county and the state in these taxes.

The advertisement cites that the co-ops pay  $6\frac{1}{2}\%$  of the total tax bill in the city.

Adjoining the tabulation of taxes is a discussion of the subject, under the same drawing as NTEA used. The first lines read:

"Don't be fooled. Co-ops DO pay taxes. The same taxes, the same laws, the same rates as other businesses."

Discussing the nontaxable status of the money set aside as patronage refunds, the advertisement continues, "It is not because a business is a cooperative that funds belonging to its customers are not taxable income, but because those funds belong to its customers."

The personal property tax paid the city by the REA co-op was three times as much as that paid by J. C. Penny Co. and fifteen times as much as Standard Oil Co.

## WE LOSE ONE (Cont'd.)

character, the best means of assuring the preserving to the people of Idaho the fullest enjoyments of the many benefits of cheap public power," the resolutions concluded.

Co-op officials left the Boise meeting pledged to give the facts to their members in an effort to avert surrender to the power company. They seemed awakened to the fact that by wiping out co-op competition the company will be in position for cream-skimming and monopolistic practices which may rob thousands of rural people of all hope of getting electric service and lead ultimately to higher rates to those now served.

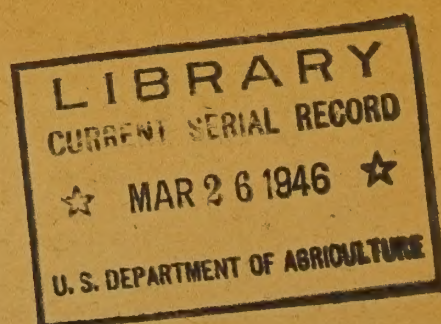
The counter measures came too late to save the Long Valley Cooperative, Donnelly, Idaho. Three days later its members voted 273 to 5 in favor of selling out to Idaho power.

## WE WIN ONE

An interesting sequel shows that some people still have faith in the REA program in spite of power company pressure campaigns--and that our co-ops have little faith in the business morals of power companies. One of our Oregon co-ops, in a letter to REA, said:

"We finally got started on our Westfall extension and of course that was the signal for the Idaho Power Company to move in. They tried the same tactics that won them the other projects around us. They called a meeting and had printed ballots and appeared with a large delegation of supporters including a newspaper man, two attorneys, officials of the company and the usual local henchmen, but when the votes were counted we had 24 to their 9.

"We fully expect that the Idaho Power Company will build into the area anyway."







UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration  
Washington 25, D. C.

April 26, 1946

Prepared by the Information Division for the exclusive use of the REA staff

## THE RURAL ELECTRIFICATION ACT

The Rural Electrification Act of 1936 was a most effective law as it was passed, and the Pace Act made important changes in 1944. Everyone in REA ought to read the Act; this digest is intended to stimulate you to read and study the full text:

### DIGEST OF ACT

REA is an agency of the Federal Government, with an Administrator appointed by the President and confirmed by the Senate. The Administrator is subject to the general direction of the Secretary of Agriculture.

The Administrator may make loans for taking electric highline service to people in "rural areas" who are without it. Also, he is to keep track of what is happening in rural electrification and tell Congress and the people about it.

With the approval of the Secretary, the Administrator may borrow funds from RFC to the total amount authorized by Congress for the particular year. In addition, Congress may appropriate money directly from the Treasury for the Rural Electrification Program. All loans made by REA must be adequately secured. Usually, REA borrowers must pledge all their assets as security. The Administrator assigns this security to RFC as security for RFC loans to REA. Total RFC loans to REA may not exceed 85% of the value of the security REA assigns to RFC.

Construction and operating loans must be repaid within 35 years; wiring, plumbing and appliance loans within 5 years or a period equal to two-thirds of the estimated life of the equipment, whichever is less.

Each year, half the authorized loan funds must be allotted among the states in the ratio of their unelectrified farms to the national total.

The other half may be used anywhere the Administrator sees fit, except that not more than one-tenth of it may be used in any one state.

If any loan funds are left at the end of the year, the Administrator may lend them in subsequent years; but again, not more than one-tenth of the carry-over funds may be used in any one state.

All interest and principal payments are made by REA borrowers to the Treasury or to RFC.

The Administrator may make loans for building and operating generating plants, transmission and distribution lines to unelectrified rural establishments. Public bodies and co-ops are to be given preference.

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## WHO OPPOSES ACQUISITIONS?

Opposition to acquisitions comes sometimes from sources which excite sympathy, such as municipalities. In many such cases, however, closer study shows that such opposition stems from other sources entirely. There is often an unholy alliance between paid employees of such objectors and power company representatives.

The latest evidence that this is sometimes true comes from the report of a commission hearing on an acquisition. Names are changed.

"A number of municipalities served by the Wishco Water Power properties appeared through their counsel in opposition. Representing the city of Old Fairhill was W. T. Hogg who, we understand, has in the past frequently represented the Yankee Power Company. Representing the City of Outer Pond, which has a population of less than 300, was Dale H. Ring of Monroe, whose law firm represents a number of utility companies. While Yankee Power Company did not formally intervene in the proceedings, its attorney, acting as an observer and was in frequent conference during the hearing with Messrs. Hogg and Ring."

## HEARINGS SOON ON 1947 FUNDS

The Senate Appropriations subcommittee is expected to call for testimony soon on the REA appropriation and loan-fund authorization for fiscal 1947. The bill passed the House with a \$500,000 cut below budget recommendations for our administrative funds, and with a highly restrictive rider on the \$250,000,000 loan fund authorization, permitting the awarding of contracts only to the lowest bidder.



The Administrator may set the terms and conditions of any loan. But he must certify that the security is adequate and that the loan will be repaid within the specified time. Borrowers must be charged 2% interest per year on unpaid balance. The Administrator may make loans for financing wiring and plumbing installations or for purchase of electric equipment by individuals. He may set the terms and conditions for such loans, except that the interest rate must be 2% per year on unpaid balances.

Congress appropriates special funds for the administrative expense of REA just as for other agencies.

If any REA-financed system is to be foreclosed or sold for any other reason, the Administrator may buy it on behalf of the U. S. A. out of available loan funds. If he does, he may have REA operate it or lease it to another operator, but not for more than 5 years.

No REA borrower may without approval sell its system until the REA loan has been repaid in full.

REA must make annual reports to Congress.

The Administrator is authorized to hire a staff of employees and to accept volunteer unpaid help from local, State or Federal officials. Appointments and promotions must be based on merit and efficiency. The Act must be administered on a nonpartisan basis.

The Administrator may defer collection of interest or principal on construction and operating loans for 5 years, on installation loans for 2 years.

In the definition of the Act, "rural areas" means the entire U. S. A. and its Territories, except cities, villages, and boroughs whose population is more than 1,500.

Borrowers must give preferred consideration to U. S. products in expending loan funds.

Some newspapers pounced upon the recent Missouri court decision in a suit against Sho-Me as a great set-back to the REA program. The number of inquiries received about this decision indicates that this interpretation was being fostered widely. Like most rumors spread by power companies about REA, this one is false.

The Court said, regarding Sho-Me, only that it did not have power under the law under which it was incorporated to do the kind of business it is now doing. It has a year to find another law under which to incorporate.

Missouri courts and the Missouri Commission have several times upheld the propriety and the desirability of the Sho-Me program. Those rulings still stand. The new ruling is little more than a major annoyance to one of our more than 900 borrowers.

This suit is only one phase of the continuous opposition waged by 11 power companies to Sho-Me. The same 11 companies that tried to stop the acquisition in the first place "cooperated" with a local prosecuting attorney in bringing the suit. They then intervened in the suit, paying cost deposits totaling \$2500 and furnishing prominent attorneys to conduct the prosecution.

WELL, FRANK?

After Administrator Wickard revealed that Frank Wilkes of Southwestern Gas & Electric Co. had written him a letter which appeared to be an offer to support REA-endorsed legislation if the Administrator would open negotiations for Wilkes to buy some REA-financed plants. The Texas Power Reserve issued a statement calling the proposal an insult to them and making a counter offer to buy all the Southwestern properties.

The statement and offer received wide publicity in Texas.

